

## Message Text

CONFIDENTIAL

PAGE 01 COLOMB 01083 200824Z

17

ACTION SS-30

INFO OCT-01 ISO-00 /031 W

----- 130824

R 200800Z APR 74

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 852

C O N F I D E N T I A L COLOMBO 1083

EXDIS

EO 11652: GDS

TAGS: EAID, EFIN, CE

SUBJ: GSL REQUEST FOR SHORT-TERM LOAN

1. SECRETARY OF PLANNING AND ECONOMIC AFFAIRS H.A. S. GUNASEKERA CALLED ME IN ON SHORT NOTICE APRIL 19 TO DISCUSS "SERIOUS MATTER" ON BEHALF PRIME MINISTER BANDARANAIKE. MATTER TURNED OUT TO BE REQUEST TO USG FOR SHORT-TERM \$25 MILLION CASH LOAN TO TIDE GSL OVER ITS PRESENT LIQUIDITY CRISIS.

2. GUNASEKERA LED UP TO THIS REQUEST BY EXTENDED DISCUSSION OF GSL'S CURRENT ECONOMIC DIFFICULTIES, STRESSING PARTICULARLY PROBLEMS WHICH HAD ARISEN BECAUSE OF GSL'S RECENT FOOD PURCHASES. HE EXPLAINED GOVT HAD CONSIDERED IT ESSENTIAL TO DESPATCH RECENT MINISTERIAL LEVEL FOOD-PURCHASE MISSIONS AND TO BUY SUBSTANTIAL QUANTITIES OF WHEAT AND WHEAT FLOUR FROM AUSTRALIA. HOWEVER, THESE FOOD SUPPLIES COULD ONLY BE ACQUIRED ON BASIS SHORT-TERM CREDITS SOME OF WHICH WOULD BECOME DUE WITHIN NEXT SIX MONTHS. CONSEQUENTLY PRIME MINISTER HAD ASKED HIM TO EXPLORE WITH ME WHETHER USG COULD HELP BY PROVIDING LOAN OF APPROX \$25 MILLION REPAYABLE IN ABOUT 18 MONTHS. HE WAS PUTTING REQUEST TO ME ON INFORMAL BASIS BUT GSL PLANNED FOLLOW UP WITH FORMAL REQUEST IF THERE WAS ANY HOPE OF US ASSISTANCE.

3. I TOLD GUNASEKERA I OF COURSE COULD NOT GIVE HIM ANSWER ON SPOT BUT I DID ANTICIPATE REQUEST WOULD BE DIFFICULT TO MEET. WE HAD NEVER BEFORE EXTENDED THIS TYPE OF HELP TO GSL  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 COLOMB 01083 200824Z

AND, AS FAR AS I WAS AWARE, THERE WAS NO LEGISLATIVE AUTHORITY

FOR SUCH ASSISTANCE. USG PROVIDE  
BUDGET SUPPORT AND SUPPORTING  
ASSISTANCE TO CERTAIN COUNTRIES WITH WHICH WE HAD SECURITY  
AGREEMENTS OR OTHER SPECIAL ARRANGEMENTS BUT THESE COUNTRIES  
FELL INTO CAREFULLY SPECIFIED CATEGORIES AUTHORIZED BY CONGRESS.

4. GUNASEKERA SAID IF USG UNABLE TO PROVIDE LOAN BECAUSE  
OF LACK OF LEGISLATIVE AUTHORITY, PERHAPS WE WOULD BE WILLING  
TO INTERVENE WITH US COMMERCIAL BANKS, SUCH AS MANUFACTURERS-  
HANOVER, IF GSL APPLIED TO COMMERCIAL BANK FOR SHORT-TERM LOAN.  
I SAID I WOULD ALSO INQUIRE ON THIS POINT AND ASKED WHETHER  
GSL MAKING SIMILAR APPEAL TO OTHER COUNTRIES. GUNASEKERA SAID  
OIL PRODUCING COUNTRIES HAD FAILED TO RESPOND TO GSL'S REQUEST  
FOR HELP AND USG WAS NOW ONLY COUNTRY TO WHICH GSL WAS  
MAKING THIS TYPE OF "SPECIAL REQUEST".

5. COMMENT: I REALIZE REQUEST FOR CASH LOAN IS DIFFICULT  
IF NOT IMPOSSIBLE TO MEET. EVEN IF WE WERE ABLE TO ASSIST,  
USG WOULD BE PLACED IN SOMEWHAT ANOMALOUS POSITION OF PROVIDING  
CASH TO ENABLE GSL TO PAY OFF SHORT-TERM CREDITORS SUCH AS  
PAKISTAN, AUSTRALIA, AND POSSIBLY USSR AND PRC, FROM WHICH  
GSL HAS RECENTLY PURCHASED FOOD. NONETHELESS, EMBASSY'S  
ESTIMATE IS THAT GSL IS IN SERIOUS DIFFICULTY RE ITS LIQUIDITY  
POSITION AND DESPERATELY NEEDS SHORT-TERM RELIEF. I BELIEVE  
DEPTS RECORDS WILL SHOW THAT IN SOMEWHAT SIMILAR  
CIR-  
CUMSTANCES DURING LATTER PART OF DUDLEY SENANAYAKE'S  
ADMINISTRATION, DEPT AT REQUEST OF THEN CEYLON  
GOVT DID PUT IN GOOD WORD FOR GOC WITH MANUFACTURERS-  
HANOVER, WHICH HAS HADINLOSE AND LONG-STANDING RELATIONS  
WITH GSL, AND WHICH AT THAT TIME WAS ABLE TO EXTEND MUCH  
NEEDED SHORT-TERM HELP. IT WOULD BE HELPFUL IF DEPT WOULD  
BE WILLING TO MAKE SIMILAR APPROACH IN PRESENT CIRCUMSTANCES.

6. WOULD APPRECIATE GUIDANCE FOR REPLY TO PRIME MINISTER VIA  
GUNASEKERA.  
VAN HOLLEN

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOOD SHORTAGE, PROCUREMENT, LIQUIDITY (MONETARY), CURRENCY LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 APR 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974COLOMB01083  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740092-1079  
**From:** COLOMBO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740427/aaaaaxpq.tel  
**Line Count:** 98  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION SS  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** EXDIS  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 SEP 2002 by boyleja>; APPROVED <05 FEB 2003 by GolinoFR>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GSL REQUEST FOR SHORT-TERM LOAN  
**TAGS:** EAID, EFIN, CE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005